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Filling the Export Order

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Filling the Export Order

CABLE ADDRESS "CENTRAL"

FILLING THE EXPORT ORDER

FOREWORD

THIS booklet is the third of a series of four, covering every phase of Foreign Trade, as follows:

1. Laying the Foundation.
2. Pricing Goods for Export.
3. Filling the Export Order.
4. Collections in Foreign Trade.

No effort has been spared to make these booklets thoroughly practical and devoid of generalities. The subject matter is the outcome of actual experience, the aim being to combine brevity with the maximum of helpful information.

The other units to complete this series of booklets will be furnished by our Foreign Department on request as issued. This institution offers its services to those interested in developing their export business and will be pleased to supplement the information given in these booklets.

**Central National Bank
Savings & Trust Co.**

Filling the Export Order

THE first two booklets of this series explain the best methods of finding the markets for a given product in the various countries of the world and of pricing one's product for export. Assuming that both of these factors have been successfully met, the natural and much desired result is—orders.

In an organization which has never engaged in export business other than through commission houses, the actual routing of the order through the plant without confusion or omitting any step is a matter which should be given considerable thought. How the first order from a customer abroad is handled, packed and shipped is supremely important, as upon its success will depend future business.

The following suggestions are offered to give an idea of the necessary steps required in a manufacturing plant and would of course be modified

to meet the conditions peculiar to any given organization.

Writing the Order Sheet

On receiving the order from the customer, the preliminary correspondence leading up to the sale should be withdrawn from the file and attached to the final letter and order. A dated notation of this withdrawal should be retained by the export sales manager, after which the file of correspondence goes to the Credit Department for approval, if the credit is to be passed upon by the domestic credit man. The notation held by the export manager will act as a follow up to ensure the return of the correspondence within a reasonable period, either with acceptance or rejection of the credit risk.

Assuming that credit is approved, the transaction is next turned over to the order department for entering on the records, giving the sale a serial number and writing out complete specifications for the factory. It is good practice to make five copies of these specifications or order sheets for the following distribution:

One copy to stock room to check the necessary materials; another to purchasing department, to permit attention to any material lacking to place the order in work; a third copy to the factory

superintendent's office, the fourth to be retained with the original correspondence for the purpose of record, while a fifth copy may be sent the purchaser, together with the seller's acknowledgment. This method serves to show the buyer the exact sizes, etc., according to which his order is being executed.

It is advisable to use a special blank for entering export orders, on which should appear all special instructions of every nature pertaining to the transaction, except the financial arrangements.

On receiving his copy of the order, the factory superintendent can very shortly notify the export department of the approximate date shipment can be made. This information is to be duly noted on the order form and shipping arrangements planned accordingly by the export department. This department is also responsible for issuing all necessary instructions and supervising the proper packing of the goods, and should work in close co-operation with the shipping department upon this important question.

Preparing the Shipment

To be properly packed, a shipment must meet three distinct requirements, namely,

1. A packing which actually protects the ship-

ment from damage in transit.

2. A type of packing which will keep the cost of both transportation and duties at a minimum.

3. A packing, which in size, type, etc., will conform to the physical limitations, should any exist, in handling the goods at destination.

Consider first the problem of packing simply from the view-point of delivering the merchandise in perfect condition. The primary thought should be not how cheaply this can be done, but how it can be accomplished to make damage in transit impossible or as nearly impossible as lies within the power of the shipper. The strength of the container rather than its cost should be the point of prime importance, and it is always a questionable policy to use second hand material for such purposes. Cases made of new lumber of at least $\frac{3}{4}$ " thickness, properly reinforced on base and ends should be used. The manufacturer who is new to foreign trade will gain a more complete conception of the requirements of the case if he will but visualize the conditions his product must encounter on its journey from his factory to the warehouse of the man who is paying for it.

For instance: If your box or crate were placed in a sling with numerous other boxes, barrels and crates of miscellaneous weights and sizes

and allowed to drop down into the hold of the vessel, be sure *your* container would hold intact.

*Filling the
Export
Order*

Possibly your goods must be transshipped not once, but several times to reach ultimate destination, thereby multiplying the number of handlings and rough usage at each terminal or dock. See that *your* packing will withstand the abuse.

Watch the American baggage man handle trunks, etc., and remember that this is probably the gentlest type of handling your shipment will encounter—look over your shipment again with these thoughts in mind and decide whether you are satisfied that it is sufficiently strong.

A thorough study of the question of proper packing for export has been made by the United States Government and the results embodied in the book "Packing for Export," which may be secured from the Department of Commerce at Washington.

Ocean Freight Charges

The second consideration in designing the packing case is that of keeping the cost of transportation and duties at a minimum. As stated in the previous booklet of this series, the method of assessing ocean charges is at the ship's option, this being either on the basis of weight or measure-

ment, whichever shows the largest revenue. This is one of the reasons why the packing should be as light as is consistent with safety. If your shipment is assessed on the basis of weight, naturally you do not wish to pay for any more dead weight than necessary to carry the goods safely. Even though the buyer pays the transportation, remember that all costs enter into his calculation in comparing your proposition with that of your competitors in other lands. See that your shipping case has a light, strong frame work with re-inforced ends and that both ends, or in case of heavy packages, the center also, is strapped with iron or steel bands.

Where freightage is charged according to cubical contents, this is figured on the basis of over-all dimensions; in other words, if a swivel chair is shipped, and the packing followed the approximate outline of a chair, the depth of the case, multiplied by the number of feet high from floor to top of back is the basis for the charge. Cases should therefore be as nearly rectangular as possible.

Assessing Duties

The duties assessed on bringing merchandise into a country are decided by the country in ques-

tion; in some instances this is based on the value of the goods and in others on the net or gross weight, hence the wisdom of keeping the weight or packing as light as is consistent with safety. Even where the duty is charged on the basis of net weight, usually this is determined by deducting a legal percentage from the gross.

The question of packing several different articles in the same case may influence the rate of duty assessed on the entire case and should be avoided unless investigation first has been made upon this point. Do not include advertising matter in the shipment unless requested by customer. This bank will be glad to go into the questions above enumerated with interested parties and secure information covering a given commodity for any specified country of destination.

Respect the Buyer's Wishes

The last phase of the packing question to be considered is that of meeting the peculiar needs of the buyer. Where shipping instructions are *furnished by the purchaser, no effort should be spared to conform strictly thereto, even though so doing necessitates deviation from your own standard methods of packing for domestic shipment.* If the Buyer's request seems peculiar the probability

is that this is due to your own inexperience in meeting the conditions which confront him at destination.

For instance, the mode of transportation prevailing in some regions is a controlling factor, and includes such locomotion as afforded by the mule, burro, llama, coolie or bull. The weight carried by each varies; likewise the type of package. It might be well to note in fact that the llama can carry about 100 lbs., the burro, up to 200 lbs. the mule, up to 250 lbs. and this should take the form of two packages to be slung over either side of the animal. The usual weight where men do the hauling is from 100 to 150 lbs. When shipping large pieces of machinery to India, the parts must be knocked down to be handled in a railroad car of narrower gauge than used in this country.

Climate is another new factor to be considered in shipping to other countries. For example, in Central America and India the rainy season has a duration of months and shipments arriving during that period must be packed to withstand exposure to the elements. Likewise if one is shipping to the interior of Colombia, successive days of down-pour followed by intense heat may

cause certain commodities to deteriorate if only ordinary packing is used.

Marking the Cases

Probably the buyer will have designated a shipping mark which he desires to have appear upon all packages, but if this has not been specified, such a mark should be devised by the export manager, to be inserted on order blank and *stencilled* on all packages. Wherever your shipment is destined, remember the stevedor may be totally uneducated; add to this the fact that English is perhaps a foreign language to him and you will realize the importance of a clearly stencilled, simple SYMBOL for his guidance. This may be a circle, square or diamond, with the name of the port beneath and customer's initials in center, or an entirely arbitrary initial may be used, the name of the destination being the most important item. In placing this mark on the package, make sure it is not effaceable. In addition to the symbol will appear the serial number of the case and care should be exercised that there is no duplication of numbers nor a number omitted. Duplication in some countries causes penalties to be assessed while an omission would create the impression of loss in transit.

In addition to the symbol and serial number,

gross and net weight and cubical contents should be stencilled on the case and these marks should appear on two or more sides and ends as a matter of convenience for quick identification. All net and gross weights must be absolutely accurate, otherwise fines will be levied in some countries. While many manufacturers have their name or that of the forwarding broker also stencilled on the case, no advertising matter of any sort should appear as this is always an invitation to theft and pilferage. In fact, in packing the case some manufacturers use steel bands tight enough to sink into the wood with the ends hammered in; others use a lead seal to prevent this temptation.

Documents Required

If the above suggestions are followed, the merchandise is now securely packed and properly marked for export. While the shipping department is occupied in preparing the merchandise as above described, your Export Manager will have made proper forwarding arrangements and issued instructions upon the manner of consigning goods from the factory to the port. However the shipment is handled, certain documents should now be made up at the factory.

Assuming the shipment is handled through a forwarding company the inland bill of lading will

be consigned to the forwarder marked "for export," or if the shipment amounts to a carload, the bill of lading should be endorsed, "for export; lighterage free" in which event the shipment will be delivered to the vessel without additional expense.

*Filling the
Export
Order*

This is true except in the case of heavy machinery which cannot be handled by the ship's tackle. The bill of lading will also set forth number and kinds of packages and the shipping mark; and this document together with several copies of the packing list now goes from the shipping department to the export department. This packing list must fully itemize the number of separate boxes, crates, bundles, etc., designating the contents of each individual box, its cubic measurements, the exact net and gross weights. If the shipment is intended for certain countries these weights must be stated both in pounds and kilograms.

After the bills of lading and packing lists are received, the export department prepares duplicate export declarations on forms provided by the United States Government, the required number of commercial invoices on special forms setting forth the shipping mark, date of customer's order, routing, full description of packages, sales terms and if the transaction is for certain countries, special requirements to be observed. For example;

Cuba and Canada require the invoice to bear a declaration as to country of origin. Australia, New Zealand and South Africa demand a separate notation covering cost of packing and domestic sales value of the goods.

After preparing the above documentation it remains for the Foreign Department to send the inland bill of lading together with the necessary export declarations (original duly sworn) invoices and packing lists to the forwarding connection at the port who will require these papers in order to proceed with the next step in making the shipment.

If draft is to be drawn against consignee the billing department makes this up on the special forms of draft, known as First and Second of Exchange, which your bank will furnish you and includes this with above documents to the forwarder.

Function of Forwarder

It will be noted above that reference is made to shipping direct or through a freight forwarding agency. It is, of course, possible to handle the matter direct with the steamship company in which event the export manager secures freight rates and schedule of sailings from the various lines and likewise investigates the port from which

the shipment can be most economically despatched. The services of a forwarding company at the port, however, has certain advantages for the firm just beginning to ship abroad provided due caution is exercised in securing a high grade forwarding house thoroughly experienced and watchful of your interests.

*Filling the
Export
Order*

Occasionally, some of these firms may receive larger brokerage commissions from one line of vessels than another, or may even be the agents of some particular steamship company and there then would be a strong temptation to hold the shipment for the line in question instead of securing space on the earliest sailing at the best available rate. However, if you will make arrangements with a thoroughly reliable forwarding company and handle all shipments through the same organization, this procedure offers manifest advantages. A number of these concerns have branches in all of the large cities.

As to the services which such a company will render, the following will give some idea of what still must be done before your shipment is safely on its way to destination. Before the shipment may be delivered to the docks, it is usually necessary to secure a shipping permit. The forwarding company will take care of this and when the ship-

*Filling the
Export
Order*

ment arrives, this permit will be turned over to the forwarding concern's truck driver to secure the goods from the railroad terminal and deliver the merchandise to the proper pier of the vessel in question. The clerk of the steamship company will sign a dock receipt covering acceptance of the merchandise for the vessel designated. This receipt and also the ocean bills of lading are prepared in the office of the forwarding company upon forms furnished by the steamship line.

The forwarder will also make up consular invoices and have the necessary documents vised by the consular official of the country of destination if this is necessary. He will translate the invoices into the language of country of destination if so instructed. He will clear the shipment through the customs house and attend to the presentation of customs documents to have the shipment taken on board the steamship and the ocean bills of lading signed by the steamship company. Another function of the forwarder is to cover the shipment with the proper insurance the different types of protection being a question discussed more fully in the next unit of this series. Suffice to state that the types of insurance taken out will depend upon the commodity and for certain types of articles there should not only be protection against the marine risks but likewise

against pilferage.

Thus it will be readily understood that a high grade forwarding concern can prove a valuable adjunct in the development of export business. This is especially true where the manufacturer is not thoroughly conversant with the technique of foreign shipping.

In connection with all of the subjects touched upon in this booklet, we recommend the use of the "Exporters' Encyclopedia" a volume which is issued annually by the "Exporters' Encyclopedia Corporation" 23 E. 43rd St., New York City. This volume is a complete handbook for quick reference upon the actual handling of orders designated for every region of the world.

While at first glance the question of getting the shipment safely and economically to destination may seem a somewhat formidable one, a careful observance of the instructions found in this encyclopedia which carefully explains the requirements of every country of the world. will greatly simplify matters.

The final unit of this series will give a more detailed discussion of the various documents their final distribution and their uses, the terms of sale

and particularly the methods of financing available.

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Our experience with manufacturers dealing in foreign trade has resulted in mutual helpfulness and has increased our understanding of many of the problems to be faced. It is very likely these experiences will prove of value to the manufacturer contemplating expansion; and it is to such enterprises that these booklets are addressed with the suggestion that we be allowed to cooperate in the solution of such problems.

Write for Booklet IV

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